

Government that Works!

New Jersey Department of the Treasury

Local Government Budget Review

BOROUGH OF RUTHERFORD BOARD OF EDUCATION

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GOVERNMENT THAT WORKS

OPPORTUNITIES FOR CHANGE

The Report of the Borough of Rutherford Board of Education Budget Review Team

There is no doubt that local government costs – and the property taxes that pay for them – have been rising steadily over the last decade. Until now, the State has never worked with towns to examine what is behind those rising costs. That is why the Local government Budget Review Program was created by Governor Whitman and State Treasurer Brian W. Clymer. Its mission is simple: to help local governments find savings, without compromising the delivery of services to the public.

The Local Government Budget Review Program fulfills a promise Governor Whitman made in her first budget address, when she offered the State’s help to local governments looking to cut costs. This innovative approach combines the expertise of professionals from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a management review and consulting service provided to them at no cost by the state.

To find those “cost drivers” in local government, the teams will review all aspects of the local government operation, looking for ways to improve efficiency and reduce costs. The teams will also document those State regulations or legislative mandates which place an unnecessary burden on local governments, and suggest which ones should be modified or eliminated. Finally, the teams will note where local governments are utilizing “Best Practices” – innovative ideas that deserve recognition and that other municipalities may want to emulate.

This intensive review and dialogue between local officials and the review team is designed to produce significant insight into what factors are driving the costs of local governments, and provide the necessary tools to bring meaningful property tax relief to the State.

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THE REVIEW PROCESS

In order for a town, county or school district to participate in the Local Government Budget Review Program, a majority of the elected officials must request the help of the review team through a resolution. There is a practical reason for this: to participate, the governing body must agree to make all records available to the review team, and agree to an open public presentation of the review team's findings and recommendations.

As part of the review of the Rutherford School System, team members interviewed each elected official, as well as school administrators and various district employees. The review team examined current collective bargaining agreements, audit reports, annual financial statements, personnel contracts, payroll and salary records, vendor analyses, account analyses, the board policy manual, board agendas and minutes and other relevant documents. The team visited all school sites and observed work procedures and operations throughout the school system.

The review team received full cooperation and assistance from all employees and board members. That cooperation and assistance was testament to the anticipated willingness on the part of the board members to give serious consideration to recommendations for change.

Where possible the potential financial impact of issues/recommendations are provided in this report. The recommendations do not all have a direct or immediate impact on upcoming budget or tax rates. These estimates have been developed to provide the community at large with some indication of the potential magnitude of each issue/recommendation and the savings, productivity enhancement and/or reduced cost to the community. The team acknowledges that all of the recommendations made in this report cannot be accomplished immediately and that some of the savings would only occur during the first year of implementation. We also acknowledge that many of the recommendations will require negotiations through the collective bargaining process. The team believes that all estimates made are both conservative and achievable.

COMMUNITY OVERVIEW

Rutherford is a suburban town of approximately 17,800 residents, located just west of New York City in Bergen County. With one square mile which is primarily residential, Rutherford, which has an area of 2.8 square miles, is set between the Passaic and Hackensack Rivers, and enjoys all the advantages of a major metropolitan area while maintaining the atmosphere of a small town. The township is now addressing the recent closing of the local branch of Fairleigh Dickinson University, a shrinking tax base, the closing of several small businesses, a major tax reduction for the Meadowlands and plans for the construction of a large shopping mall in a neighboring community.

Though many of the students in the Rutherford School System come from families that have lived in town for generations, increasing numbers of ethnically and racially diverse residents are moving into the town. According to the 1990 U.S. Census, race and national origin consists of the following: 89% white, 3% black, 6% Asian/Pacific Islander, 1% Hispanic and 1% other. Rutherford students come from families with a per capita income of \$20,579. 3.6% of the Rutherford residents (including about 2.5% of the student population) are living below the poverty level.

The Rutherford School System has a total resident enrollment, according to the October 15, 1995 Application for School State Aid (ASSA) Report, of 2,139 students from pre-kindergarten through grade 12. Enrollment is continuing to show a slow but steady growth with 35 additional students enrolled in the past year. Student turnover, or mobility rate is approximately 6%. The Home and School Program (H.A.S.P.) enrollment in before and after school child care sessions is also continuing to grow. This school district consists of five elementary schools (three K-5 and two K-8) and one high school. There is a conscious effort on the part of many parents of school age children to maintain neighborhood schools.

Limited-English-Proficiency (LEP) students make up 2.5 % of the student population and represent several major languages; including Spanish, Korean, Arabic, Polish and Italian. The most significant changes that have occurred in this district over the past five years are related to the English as a Second Language (ESL) Program. A higher number of Hispanic students reflects the changing demographics of the town. The ESL population has been somewhat transient with more students not living with their nuclear families. Many students test out of the ESL program prior to entering high school but it should be noted that these students are still not fluent in English and require academic support. The number of transfer students has declined recently, following a pattern that often runs in cycles.

22.5% of the Rutherford residents are college graduates or beyond, whereas 84% of the members of the class of 1994 are now attending two or four year colleges. The dropout rate for this class was 0.4%.

The Rutherford Schools are used by community members of all ages through the adult school, the swimming pool, high school child care classes, H.A.S.P., summer activities sponsored by the gifted & talented program, the arts programs, and through rental of facilities by community organizations.

Senior citizens are welcome to enroll in high school classes, space permitting. Parents and community members commonly participate in the schools in many ways; e.g., tutors, speakers, resource people, PTA members, classroom volunteers, booster club membership, etc.; thereby enriching the educational experience of Rutherford students.

Computer facilities are among the best in Bergen County and computers are being involved more and more in the lower elementary grades each year.

The district has 263 full time and 74 part time employees (employees working less than 6 hours per week). Substitute employees are used on an as needed basis.

The 1996-1997 budget represented a 2.95% increase in total expenditures over the previous year. Although Rutherford spends approximately \$900.00 more per pupil than the State average, this amount is nearly \$300.00 less per pupil than the average district in Bergen County. Rutherford's budget is \$336,452 below the state-allowed cap.

LOCAL GOVERNMENT BUDGET REVIEW

EXECUTIVE SUMMARY

RUTHERFORD BOARD OF EDUCATION

The Local Government Budget Review (LGBR) unit of the New Jersey Department of the Treasury conducted an extensive study of the Rutherford School System in response to a request from the Rutherford Board of Education. A number of areas were reviewed resulting in various recommendations for cost reduction and/or potential savings for the district. Several practices were selected and recognized as “best fiscal practices” with others being commended in the findings.

It should be noted, prior to reading this report, that there are a number of areas which were reviewed by the team but are not referred to in this report; e.g., school board expenditures, security, guidance, bilingual education & ESL, basic skills, the Gifted & Talented Program, etc. Following is an executive summary of the findings and recommendations along with dollar savings, as appropriate:

1. Benchmarking / Comparative Data

Statistical data of school districts comparable to Rutherford is provided as a basis for making recommendations.

2. Administration

The Rutherford School District, though prudent in the general area of administrative personnel, is somewhat unique in that it has one person functioning as both the board secretary and business assistant. He is being paid a salary of \$112,000. The positions of board secretary/business assistant and business administrator should be eliminated and one new position of board secretary/business administrator created.

3. Attendance

The district is presently undergoing a re-registration of all students to verify that students attending the Rutherford schools are, in fact, Rutherford residents.

4. Legal Services

The board should have a written contract with its law firm and since the district has a history of requiring certain basic services the board should negotiate with the law firm by paying retainer fees for these basic services.

5. Contracts & Negotiated Agreements

A number of cost savings measures, non-existent in many other districts studied, have been or are presently being implemented in this district. Some areas though should be reviewed for possible change and/or elimination; e.g., custodial evening shift differential, longevity pay and amount of pupil contact time.

6. Health Benefits

Rutherford is an “employee friendly” district which is presently at a crossroads. The board must decide on a methodology for controlling the future costs of healthcare for its employees.

7. Transportation

The district should consider hiring more part-time bus drivers, without benefits, to avoid payment for overtime.

8. Facilities

The district will need additional classroom space in the future. Consideration must be given by parents and local residents to some major changes in this district: for example, cost-effective expansion of one or more of the existing facilities, redistricting of students and the “middle school” concept.

9. Custodial & Maintenance Services

Significant cost reduction for the district could be realized by contracting out these services, reducing staff by attrition, and/or realigning shift hours to reduce overtime.

10. Payroll

The district should consider contracting a private firm or the borough to generate payroll.

11. Purchasing

The district should consider an integrated, on-line purchasing system which would include such items as status of requisitions and purchases and budget appropriations/expenditures by department.

12. Vehicle Maintenance

A potential initiative for cost reduction is to make vehicle maintenance a “shared service” between the school district and the municipality.

13. Banking

The district should review current banking practices and procedures, including new products, automated and otherwise, as well as on-line systems that link the school system with the banks. Also, written agreements should be developed by banks that detail banking services and related costs.

14. Investment

The district should evaluate all accounts and determine where funds in excess of \$100,000 could be invested for terms of more than 30 days; thereby reducing administrative overhead and enhancing potential earnings.

15. Food Service

The district should review the “brown bag” lunch program with an eye for reducing the amount of time allocated daily for lunch and recess and perhaps better utilizing it for instructional purposes.

16. Shared Services

There are many opportunities for the school district and the municipality to share services and engage in joint initiatives; including: sharing of equipment, snow plowing, salting & sanding, vehicle maintenance and repair, building and lawn maintenance, computer training and maintenance, purchasing opportunities and mutual support for relatively common administrative functions (given the fact that both business offices occupy the same building.)

17. Special Education

When the space problem for this district is resolved, returning students to in-district special education instruction and doing away with needed in-district transportation could realize significant savings for the district.

18. Computer Technology

The only significant shortcoming in the entire computer technology program (one of the most sophisticated in the area) is the inability of the program to win the support and commitment of all of the district's teachers.

If all recommendations are possible and achievable, the Rutherford School System could realize savings in excess of \$2,000,000.

SUMMARY OF REVENUES AND APPROPRIATIONS

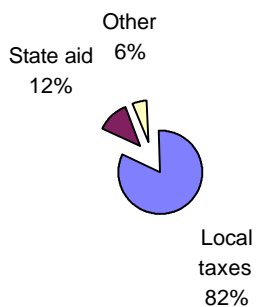
Sources of Revenue:

Local taxes	82 %
State aid	12 %
Surplus	3 %
Federal Projects	1 %
State Projects	1 %
Miscellaneous	1 %

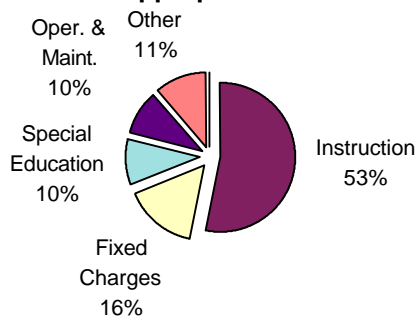
Appropriations:

Instruction	53 %
Fixed Charges	16 %
Special Education	10 %
Oper. & Maint.	10 %
Administration	3 %
Capital Outlay	2 %
Debt Service	2 %
State/Fed. Projects	2 %
Transportation	1 %
Student Activities	1 %

Revenue Sources



Appropriations



**COMPARISON OF BUDGET APPROPRIATIONS, STATE AID AND
LOCAL TAX RATE WITH ESTIMATED RECOMMENDED
REDUCTIONS IN RUTHERFORD BOARD OF EDUCATION COSTS**

A.	Administrative Costs		\$140,000
B.	Contracts & Negotiated Agreements		\$470,000
-	Custodial Evening Shift Differential	\$ 22,000	
-	Longevity Pay	\$ 58,000	
-	Length of the Work Day	\$390,000	
C.	Health Benefits		\$629,600
		\$135,000	
		\$429,100	
		\$ 65,500	
D.	Transportation		\$ 33,000
E.	Custodial & Maintenance Services		\$341,000
F.	Investment & Banking		\$ 23,600
		\$ 4,800	
		\$ 2,800	
		\$ 5,500	
		\$ 10,500	
G.	Food Service		\$ 92,000
		\$ 1,000	
		\$ 91,000	
H.	Special Education		<u>\$280,700</u>
Total Potential for Savings			\$2,009,900

Total Amount to be Raised for Municipal Tax	\$16,241,988
Savings as a % of Municipal Tax	12.4 %

Total Budget (FY'95)	\$19,809,998
Savings as a % of Budget	10.1 %

Total State Aid (FY'95)	\$ 2,165,279
Savings as a % of State Aid	92.8 %

I. BEST FISCAL PRACTICES

An important part of this Local Government Budget Review report is the Best Practices Section. During the course of every review, procedures, programs and practices which are noteworthy and deserving of recognition are identified. Best practices are presented to encourage replication in schools throughout the state. By implementing these or similar practices, school districts can benefit from the Local Government Budget Review process and possibly realize considerable savings at the same time.

There are many things done in this school system which are deserving of merit. Not only do these practices enhance the students' education; but they do so in a cost-effective manner. It is without a doubt that board members, administrators and educators, parents and the community at large care about the Rutherford students. They take pride in their school system and the students' accomplishments.

Just as we are not able to identify every area of potential cost savings, we cannot cite every area of effective effort. Following are those best practices recognized as being cost-effective contributions to enriching the education of Rutherford's students. Such practices are identified for possible replication by other districts.

SCHOOL LIBRARY MEDIA CENTER (SLMC)

Formal instruction in information skills and the use of information and instructional technologies occurs during SLMC orientation for all freshmen, an introduction to an on-line information search service for all sophomores, and an introduction to the Library of Congress Classification for all seniors.

The SLMC promotes reading by providing a continuously updated print collection of fiction and non-fiction titles. A specialist confers with the English department supervisor to maintain copies of titles included on the summer reading list. The specialist changes book displays, recommends titles and provides a computerized book selection program to encourage students to independently discover titles that match their interests. The SLMC offers CD-ROM access to county-wide public library print collections, interlibrary loan and a free delivery service to students and staff.

The specialist teaches students to use library resources for information retrieval and independent research by continually stressing a search strategy of five important areas: books, periodicals, newspapers, vertical files and supplemental sources (audiovisual, interlibrary loan, government documents and computer database access). The specialist teaches keyword search techniques with Boolean (Logic Operators) Connectors, manual and computerized/automated indexes to periodicals and newspapers and full-text reference sources, periodical and newspaper backfiles in microfiche format with reader-printer, and also in on-line information searches.

This is a cost-effective method for widening the scope of information available to district students.

CORPORATE DONATIONS

Through a private firm, the district is enrolled in a program which makes it possible for companies to donate millions of dollars worth of new, excess inventory from their warehouses to qualified schools and other non-profit organizations. By doing so, the companies are able to realize federal income tax deductions while at the same time providing products to further the recipient organizations' missions and everyday operations. Donor companies include hundreds of prominent manufacturers, wholesalers and distributors. Common donated products include office and maintenance supplies, arts and craft supplies, paper products, clothing and building materials.

Rutherford maintains membership in this program and through it the district is able to select up to 60 of its most needed items from merchandise listings. As the requested items become available, they are shipped to the schools for the cost of shipping and handling.

During the past year the district has had a net gain in items received in excess of **\$10,000**.

ATHLETIC DONATIONS FROM PRIVATE FIRMS

As a means for cutting costs, the athletic director for the Rutherford School system has sought out private firms for funding of items needed by the athletic department. As a result of these efforts, one company purchased and donated to the district two scoreboards worth at least \$15,000 as well as storage bins for the donor's products and other items. The director hopes to expand the number of private firm contributions. He is currently seeking outside funding to finance the replacement of the high school gymnasium floor.

ADULT EDUCATION PROGRAM

Rutherford's adult education program is designed to provide adults with the opportunity to complete their high school education, continue existing or past educational programs, increase their knowledge and/or improve various skills. The district's adult school budget for the fall of 1996 is consistent with the budgets for the fall of 1995 and the spring of 1996. The program's flexibility is demonstrated by the fact that with an offering of 136 courses, 27 were canceled due to insufficient enrollment. Additionally, two courses in sewing and two in beginning French were combined. Some courses are offered off-campus as well as during the daytime for senior citizens. Total enrollment for course offerings is 1,168 students.

All courses are fee based. The adult school estimates income from tuition for the fall semester, 1996 to be approximately \$58,200 with expenses being about \$54,700; thereby realizing an anticipated income for the fall term of about \$3,500. From fall of 1995, spring of 1996 and fall of 1996 (three terms) the program realized a total surplus of more than \$8,700.

The district should continue to review the course offerings and expenses while refining the program, as needed, to maintain its success both educationally and economically.

JOINT PARTNERSHIP

The school district has a joint partnership agreement with 23 other districts, for a self-insurance pool for Workers Compensation. The school district has consistently realized an estimated **10%** savings over the fair market rate on its annual premiums. This computes to an estimated annual savings of between **\$10,000 and \$30,000**. Even when calculating the savings in the most conservative terms, the school district has saved at least **\$150,000** over the past years.

OIL TO NATURAL GAS

All school buildings were converted from oil to natural gas approximately five years ago. New burner motors were installed in each of the six schools at a one-time cost of \$27,000. The installation of these burners allowed for the conversion from oil to gas.

At the time of the conversion, the district decided to remove the underground oil tanks because of the high cost of insurance. The district solicited estimates for liability insurance, from a consulting engineer as well as from its own insurance carrier. Both clarified that it would cost the district approximately \$5,000 to provide adequate liability coverage for each of the six schools. This insurance was to provide protection in the event of an oil spill, in which case Rutherford Borough School District would be liable for the cleanup. In affect, by removing the underground tanks, the school district saves **\$30,000** in annual liability insurance premiums.

The initiative for this change came as a result of an oil tank cleanup in Clifton, which cost the school district in excess of \$200,000. The Rutherford school district converted from purchasing gas from PSE&G to a third party re-seller (Norstar) October 1996. For the five prior years, the district was purchasing its gas directly from PSE&G.

Gas is purchased through Norstar by eight to ten other districts headed by Montvale School District. For Rutherford School District, projected annual savings are between 8% and 12%. This computes to an annual estimated hard dollar savings of between **\$8,000 and \$15,000**. .

II. FINDINGS AND RECOMMENDATIONS

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operation and financial savings to the district and its taxpayers.

Where possible, a dollar value has been assigned to each recommendation to provide a measure of importance or magnitude and to illustrate cost savings. The time it will take to implement each recommendation will vary. It is not possible to expect the total projected savings to be achieved in a short period of time. Nevertheless, the total savings and revenue enhancements should be viewed as an attainable goal. The impact will be reflected in the immediate budget, future budgets and the tax rate(s). Some recommendations may be subject to collective bargaining considerations and, therefore, may not be implemented until the next round of negotiations. The total savings will lead toward reduction in tax rates resulting from improvements in budgeting, cash management, cost control and revenue enhancement.

Some of the recommendations made are based upon comparative analysis using Department of Education data in comparison with districts of similar size and demographics. School districts used for comparison with Rutherford were Fort Lee, Pompton Lakes, Secaucus and New Milford. The following chart illustrates some of the data used.

Rutherford Borough Board of Education
Statistical Comparison
Based on Audit Report and NJ School Report Cards
As of June 30, 1995

<u>Description</u>	<u>Rutherford</u>	<u>Fort Lee</u>	<u>Pompton Lakes</u>	<u>Secaucus</u>	<u>New Milford</u>
County	Bergen	Bergen	Passaic	Hudson	Bergen
District Type	II	II	II	II	II
Grades	K-12	K-12	K-12	K-12	K-12
District Factor Group	FG	FG	FG	FG	FG
Cert Employees	199	280	161.5	153	161
Other Employees	112.5	87	82	42	72
Total Employees	311.5	367	243.5	195	233
Square Miles	2.6	2.5	3.5	7	2.2
<u>Number of Schools</u>					
Elementary	5	4	2	2	3
Middle	0	1	1	0.5	0
High School	1	1	1	0.5	1
Total Schools	6	6	4	3	4
Student Enrollment	2,084	3,198	1,646	1,571	1702
<u>Teacher/Student Ratio</u>					
Elementary	1 : 21.0	1 : 20.0	1 : 16.5	1 : 13.9	1 : 14.6
Middle School	-	1 : 12.0	1 : 11.9	1 : 19.2	0
High School	1 : 11.0	1 : 20.0	1 : 12.9	1 : 10.4	1 : 12.8
<u>Administrative Personnel</u>					
Number of Administrators	16	16.9	14.4	9.8	15.3
Administrator per Students	1 : 131.7	1 : 193.6	1 : 114.1	1 : 160.3	1 : 115.0
Administrators/Faculty Ratio	1 : 11.6	1 : 15.2	1 : 9.9	1 : 13.7	1 : 9.3
<u>Median Salary</u>					
Faculty	49,025	60,785	40,534	56,225	44,128
Administrators	76,145	93,750	70,310	86,528	76,853
<u>Median Years of Experience</u>					
Faculty	16	20	13	20	13
Administrators	30	25	27	31	27
<u>Passing HSPT</u>					
Reading	96%	86%	97%	90%	92%
Mathematics	97%	91%	91%	91%	91%
Writing	96%	90%	97%	99%	89%
All Sections	91%	77%	86%	83%	78%
<u>Post Graduation Plans</u>					
4 yr. College/University	62%	74%	57%	57%	64%
2 yr. college	25%	15%	13%	20%	21%
Other Post Secondary Sch.	5%	1%	9%	2%	3%
Military	1%	1%	0%	0%	2%
Full-time Employment	7%	4%	21%	15%	8%
Undecided	0%	5%	0%	6%	2%

Rutherford Board of Education - Revenue & Expense Comparison as of June, 1996

	<u>Rutherford</u>	<u>%</u>	<u>Fort Lee</u>	<u>%</u>	<u>Pompton Lakes</u>	<u>%</u>	<u>Secaucus</u>	<u>%</u>	<u>New Milford</u>	<u>%</u>
<u>Revenues</u>										
Local Tax Levy	16,566,347	82.6%	26,590,557	91.0%	10,506,304	76.1%	13,621,988	90.4%	13,402,853	86.4%
State Aid	2,338,296	11.7%	1,297,456	4.4%	2,462,994	17.8%	1,092,846	7.3%	1,322,181	8.5%
Federal Aid	253,002	1.3%	424,367	1.5%	177,834	1.3%	153,952	1.0%	250,087	1.6%
Other	909,224	4.5%	919,878	3.1%	652,912	4.7%	198,281	1.3%	540,229	3.5%
Total Revenue	20,066,869		29,232,258		13,800,044		15,067,067		15,515,350	
<u>Expenditures</u>										
Regular Program - Instr.	8,052,352	43.1%	11,190,582	41.1%	5,287,987	39.9%	6,124,696	41.7%	5,823,237	38.1%
Special Education - Instr.	959,273	5.1%	1,511,938	5.6%	727,316	5.5%	682,806	4.7%	678,478	4.4%
Basic Skills/Remedial	407,967	2.2%	131,524	0.5%	196,138	1.5%	143,853	1.0%	127,895	0.8%
Bilingual Education	97,303	0.5%	663,601	2.4%	57,077	0.4%	42,093	0.3%	104,582	0.7%
Vocational Program	-	0.0%	-	0.0%	-	0.0%	152,987	1.0%	-	0.0%
Sponsored Cocur. Act.	112,662	0.6%	102,049	0.4%	91,724	0.7%	90,516	0.6%	72,151	0.5%
Sponsored Athletics	281,441	1.5%	329,842	1.2%	229,696	1.7%	256,403	1.7%	282,062	1.8%
Other Instr. Program	-	0.0%	-	0.0%	112,650	0.9%		0.0%	-	0.0%
Community Serv. Prog.	88,233	0.5%	17,946	0.1%	2,494	0.0%	3,915	0.0%	7,767	0.1%
Total Instruction	9,999,231	53.5%	13,947,482	51.3%	6,705,082	50.7%	7,497,269	51.1%	7,096,172	46.4%
<u>Undistributed Expenditures</u>										
Tuition - State Facilities	1,026,126	5.5%	1,242,440	4.6%	599,482	4.5%	593,245	4.0%	914,949	6.0%
Sal.-Other Prof. Staff.		0.0%		0.0%	77,824	0.6%		0.0%		0.0%
Att. & social Wk Serv.		0.0%	50,841	0.2%	15,364	0.1%		0.0%	62,259	0.4%
Health Services	215,268	1.2%	311,657	1.1%	250,836	1.9%	124,665	0.8%	146,075	1.0%
Other Support Services	830,041	4.4%	1,373,825	5.1%	517,938	3.9%	272,388	1.9%	685,790	4.5%
Educational Media Ser.	384,646	2.1%	409,327	1.5%	264,101	2.0%	289,166	2.0%	237,544	1.6%
General Administration	219,387	1.2%	811,856	3.0%	306,296	2.3%	607,237	4.1%	445,230	2.9%
School Administration	1,124,495	6.0%	1,312,169	4.8%	813,626	6.1%	1,037,782	7.1%	941,695	6.2%
Operation & Maint.	2,044,897	10.9%	3,208,232	11.8%	1,514,056	11.4%	1,727,905	11.8%	1,969,025	12.9%
Student Transport. Serv.	385,122	2.1%	741,914	2.7%	294,243	2.2%	602,826	4.1%	550,749	3.6%
Bus. & Other Support	2,473,796	13.2%	3,787,027	13.9%	1,863,164	14.1%	1,931,204	13.2%	2,212,462	14.5%
Food Service		0.0%		0.0%	14,708	0.1%		0.0%	32,011	0.2%
Total Undistr. Exp.	8,703,778	46.5%	13,249,288	48.7%	6,531,638	49.3%	7,186,418	48.9%	8,197,789	53.6%
Total Current Exp.	18,703,009		27,196,770		13,236,720		14,683,687		15,293,961	
Capital Outlay	370,818		704,801		194,291		222,445		118,942	
Special School	153,349		234,526		-		157,578		-	
Total Gen. Fund Exp.	19,227,176		28,136,097		13,431,011		15,063,710		15,412,903	
Student Enrollment	2,084		3,198		1,646		1,571		1,702	
Gen. Cost Per Pupil	9,226		8,798		8,160		9,589		9,056	
Gen. Adm. Cost/ Pupil	105		254		186		387		262	
Sch. Adm. Cost/ Pupil	540		410		494		661		553	
Tot. Adm. Cost/ Pupil	645		664		680		1,047		815	

ADMINISTRATION

According to the newly released NJ School Report Cards (1995-1996), Rutherford administrators total 14.0 FTE's. This is 11.8 FTE's below the state average of 25.8 FTE's for a district of this size.

Administrative level staffing consists of the following:

- superintendent of schools;
- one research assistant;
- four principals,
 - one for the high school
 - one for each of the two K-8 elementary schools
 - one who is in charge of the three K-5 elementary schools
(**note:** This principal spends a part of each day in each of the three schools.),
- one assistant principal (for the high school); and
- two administrative assistants to the principal (one in each of the K-8 schools).
(**note:** In addition to assisting the principals with operational and administrative duties, the assistants, who hold pupil personnel services certification, provide guidance services primarily to the seventh and eighth graders, as needed, in their respective schools.
- one school business administrator, and
- one board secretary/business **assistant**.

According to the 1995-1996 NJ School Report Cards, the Rutherford district averaged one administrator for every 152.4 students. One year ago the ratio was one administrator to 131.7 students. This is comparable to the four similar school districts the team compared Rutherford to and only slightly lower (7.7 students) than the state average (1: 160.1) . The administrator:faculty ratio (1 to 13.4) is also comparable to the other districts and slightly **higher** than the state average (1: 13.1). Though the median years of experience (32) is relatively high (7 years higher than the state average of 25 years), the median salary (\$90,706) is comparable to the schools on the chart. The total administration cost for Rutherford, based on the audit report dated June, 1995, is lower than the compared districts; and more specifically, the cost for general administration (as compared to school administration) is significantly lower.

Total administrator salaries and benefits for 1995-1996 made up 9% of the total expenditures for the district, which is 2% less than the state average according to the NJ School Report Card.

The median faculty salary for 1995-1996 is \$49,690 (\$335 **below** the state average). One year ago the median salary was \$49,025 (\$1,101 **above** the state average).

The Rutherford School district is somewhat unique in that it has one person functioning as the board secretary and business assistant. This person is being paid a salary of \$112,000 in his second

year of a three year contract. Next year (1997-1998, his final year) he is slated to receive \$117,830 in salary. In addition, this district employs a business administrator at a salary of \$70,000. In most other districts of comparable size, including the districts used for comparison, there is one full-time employee who functions as both board secretary and business administrator.

Recommendation

The positions of board secretary/business assistant and business administrator should be eliminated. A new position of board secretary/business administrator should be created to assume all responsibilities of those two positions. Savings would be approximately \$140,000. (Salary plus benefits estimated at 25%.)

ATTENDANCE

Rutherford maintains a district-wide attendance policy. Responsibility for performing attendance related functions rests with the secretaries in each of the elementary schools and two clerks in the high school for grades nine through 12. One clerk handles grades nine and ten and the other handles grades eleven and twelve. Attendance work takes up approximately one half of each clerk's time on a typical day.

Rutherford's total district average daily student attendance rate for 1995-1996 was 95.6%: K- 8 - - 96.1 % and 9-12 -- 94.5 %. This is well above the state average daily student attendance rates: K- 8 -- 94.5 % and 9-12 -- 91.6 %.

The average daily faculty attendance rate for Rutherford (K- 8 -- 95.9 % and 9-12 -- 96.9 %) is also significantly higher than the state average rates (K- 8 -- 93.9 % and 9-12 -- 92.9 %.)

This district is presently undergoing a re-registration of all students to verify that students attending the Rutherford schools are, in fact, Rutherford residents. Although never done before by this district, the practice is becoming more and more common. This is due to a significant incidence of students attempting to attend schools in districts in which they are not residents.

LEGAL FEES

A review of the district's legal expenses was conducted for the years 1994-95 and 1995-96. The vendor records for the two school years disclosed a total of \$46,801 expended for legal fees for 1994-95 and \$32,968 for 1995-96. Most of the legal fees paid were for reviewing agendas, attending board meetings, addressing personal complaints and contract negotiation issues. The district, by resolution, appoints a law firm for legal service; however, there is no contract to outline the duties to be performed by the law firm. The law firm is presently compensated at the rate of \$95.00 to \$115.00 per hour with no retainer fee. The district has been using the same law firm for many years for various legal services.

A comparative review of legal fees charged to the Rutherford, Fort Lee, Pompton Lakes, Secaucus and New Milford school districts was conducted. The Rutherford Board of Education is paying a comparable rate for its legal service.

Following is a comparison of the basic rates for legal services for 1995-96:

Solicitor	Rutherford	Fort LeeLake	Pompton Secaucus	New Milford
Per hour fee	\$95 - \$115 \$140	\$140 \$230/meeting	\$100	-
Retainer fee	-	-	-	\$7,000/yr. \$4,000/yr.
Legal expense				
1994-95	\$46,801	\$ 89,542	-	\$24,367 \$19,375
1995-96	\$32,968	\$107,989	\$23,142	\$13,384 \$35,000

Recommendation:

The board should have a written contract with its law firm. The contract should clearly outline what duties are to be performed by the law firm as well as rates of reimbursement. Since the district has a history of requiring certain basic charges, the board should negotiate with the law firm by paying retainer fees for the basic services. Retainer fees should not be more than the current basic charges.

CONTRACTS & NEGOTIATED AGREEMENTS

Although there are several cost savings recommendations being made to the board, a number of cost savings measures have already been or are being implemented; e.g.,

- Accrual and payment maximums on sick time;
- the option by staff of choosing single coverage from the board and receiving 50% of the difference between single coverage cost and the coverage cost to which they are entitled;
- termination of longevity pay to administrators employed after 2/1/96;
- effective - 7/1/95, hiring administrators and bringing them in at a lower salary than other members of the group;
- appropriate reimbursement maximums and eligibility and accountability requirements (e.g., tenure) for graduate tuition reimbursements; and
- capping of payment for unused sick days upon retirement at \$10,500

Custodial Evening Shift Differential

The employment contracts were reviewed, as were board policies concerning employment and payment standards for custodial staff. Nationwide, custodial and building work is accepted as work routinely performed after business hours. A majority of offices, schools and governmental facilities are occupied during the day by regular work staff and vacant at night, thereby permitting regular cleaning and maintenance operations. It should be recognized that the night premium concept is not required for custodial work.

Recommendation

The board should, through negotiations, eliminate the nighttime shift differential for custodians. This will result in an annual cost savings of **\$22,000**.

Longevity Pay

Longevity increases remain in all Rutherford contracts at this time. It is paid to all categories of personnel. It is not cumulative and is pro-rated to each individual's anniversary date. For administrators and supervisors only, if employed after February 1, 1996, they are not entitled to any longevity pay. This provision does not exist in the Rutherford Education Association contract. "Longevity" provides employees with compensation ranging from \$900 to \$1,300 depending on length of between 20 years and 30 years. Recipients of longevity pay are already at the top of their respective salary guides. Over the past three years the district has had an average annual cost for longevity pay of approximately \$58,000.

Salary amounts listed in district guides in and of themselves are longevity increases. Annual raises are given primarily for time of service, not for merit or other similar purposes. Originally

“longevity” steps were added to the end of a salary guide rewarding teachers for “long and faithful service”. The add on steps were given at seniority levels of 20, 25 and 30 years of service.

Recommendation

Longevity benefits should be re-negotiated to remove this benefit from future contracts with the Rutherford Education Association. This would produce a future savings of approximately **\$58,000 per year**. Even greater savings could be realized if the benefit of future longevity pay were to be totally eliminated via negotiations with all three unions.

Length of the Workday

According to the 1995-1996 NJ School Report Cards, pupil contact (instruction) time in Rutherford is below the state average. The instruction time in Rutherford for grades K through 12 is five hours and 15 minutes as compared to the state average of five hours and 28 minutes. Based on the median district teacher salary of \$49,690 for 181 pupil days in the 1995-1996 school year, the value of this time is approximately \$390,000 in lost productivity; i.e., comparing pupil contact time in Rutherford to average pupil contact time for the state.

Recommendation

The team recommends that the district seek a productivity enhancement through increased pupil contact time. This decision should involve a comparison of pupil contact time in Rutherford with pupil contact time in districts with comparable compensation packages as well as with the state average. The potential value of this productivity measure is estimated to be approximately **\$390,000**.

HEALTH BENEFITS

The Rutherford School District utilizes the State Health Benefits Plan and is currently negotiating with several Health Insurance Funds. The goal is to save money in this often unpredictable and ever increasing portion of a school district's budget. According to the newly appointed business administrator the district has a history of being “employee friendly” and is therefore historically unwilling to impose what may appear to be negative incentives upon its staff. Recently the board was successful in negotiating some cost savings with its employees in its state health benefits program. If an employee elects to opt out of family coverage the district will split the savings with the individual. In the current school year 17 people are participating at a cost of \$12,382. The review team estimates the savings to be over \$22,200 over the course of the year. This is also the

estimated cost avoidance for the district compared to full family coverage for these individuals. For such a generous savings package, only 9% of the employees participated (17 out of 189 eligible). This appears to some to be “extra pay for no increase in productivity.”

Breakdown of the District's Health Care as of May 1996:

Group	Single	Spouse	Parent/Child	Family	Total
Traditional	74	58	12	102	246
NJ Plus	6	1	0	5	12
HMOs	1	3	1	7	12
Totals	81	62	13	114	270

Looking at the above table and considering the fact that over 90% of the district's employees have selected the traditional plan for health benefits, it is clear that this has been the most expensive alternative in the state health benefits plan. Current rules prohibit the transfer of the difference of costs between the health maintenance organizations (HMO's) and traditional plans to the insured for both school districts and municipalities. State employees are required to pay the difference and this has resulted in a migration from the traditional plan to less costly managed care. Rutherford is typical of many Bergen County districts that overwhelmingly select traditional health care over managed care. Statewide the average participation rate in managed care is about 45% for municipalities and school districts. The state employee average with cost sharing is 72% managed care.

There has been a great deal of migration out of the state health benefits plan to insurers who offer "equal to or better than" coverage and some flexibility to the employee. Current regulations prohibit that from occurring within the state's health plan. The state recently reduced costs for its traditional plan by over 19% for traditional coverage yet there are rules in place that make it difficult to charge the employee for more expensive coverage.

The state rates may make the marketplace a little tighter in the coming years. Business administrators' claims that HIFs guarantee savings of at least 10% above the state's rates will prove to be interesting. In Bergen County there is a great deal of resistance to change in the public sector health care arena. There have been two attempts to start health insurance funds in Bergen County and both have been greeted with a deluge of lawsuits. Unless the Rutherford district works with the employee unions there will be significant costs in shifting plans. Lawsuits can prove to be expensive. The district currently estimates that it can expect savings of about 15% to its current rates for health care. The State's latest rates for traditional care are expected to drop about 19 % in the coming year plus savings of approximately an additional 16% through “premium holidays”. Both case management and cost control have improved under the state's new plan administrator.

Rutherford is at a crossroads at the time of review. It should decide on a methodology of how to control the costs of health care for its employees. Its leadership and past practices indicate that it is an employee friendly district, but the costs of having so many people in the traditional plan could conceivably overwhelm the district in the future.

The Rutherford School System should either negotiate with the unions regarding alternatives to the State Health Benefits Plan or start a “co-pay” arrangement within the State Health Benefits Plan. Currently, law permits charging people who have other than single coverage for up to the difference between their level of coverage and single coverage. This would free up considerable resources to be used in the district. According to estimates of 1996 rates for the State Health Benefits Plan the district could cost shift approximately \$541,000. If the district chose to pass on up to 25% of the difference in costs, for example, it could save over **\$135,000**. This strategy is a more cost effective manner of controlling health care costs than inducement payments. First, it has a guaranteed amount of savings from the cost shift and the number of people induced to reduce their level of coverage.

The anticipated savings for the school board if they chose to stay with the State Health Benefits Plan would, on its own, amount to over **\$429,600**. This takes into account the “two month holiday” as well as both the 11% and 8% reductions in premiums for school boards.

Also, the State Health Benefits Plan is offering a 100% co-pay option through its prescription plan. For local entities that do not have a prescription plan there is an optional no cost insurance card that allows members to purchase at wholesale prices, rather than retail. This reduces the out of pocket expenses to the insured. There is no cost to the district to select this option. Savings for the employees are direct, and savings to the district are indirect in lower health care costs. If this counts as a prescription plan the savings would be an additional **\$65,740** because the district would go from one set of rates to another for traditional health care.

TRANSPORTATION

The Rutherford Board of Education operates six schools spread over an area of approximately 2.6 square miles. The district owns a total of six buses. Bus transportation can be broken out into two different types: in-district and out-of-district transportation. In-district transportation is provided for a majority of the in-district special education students. Out-of-district SE students are transported by a jointure through the Bergen County Special Services School District (BCSSSD).

In-district Transportation

There are three different in-district special education bus routes in Rutherford, used to transport 44 students and one additional route for transporting four students to the vocational school. The district also utilizes their buses to transport in-district students to different schools within the

district for specific programs such as resource rooms, gifted and talented classes, “lunchtales”, athletics, etc.

Rutherford does not provide “courtesy busing”. “Courtesy busing” is defined as the practice of busing students living less than two miles from the elementary and middle schools, and less than 2.5 miles from the high schools. As much as possible, students are sent to their neighborhood schools at the elementary level. During the school day, 19 crossing guards maintain individual posts throughout school district. The salaries of crossing guards are included in the municipal budget.

One individual is responsible for Rutherford’s transportation system, and maintaining this system is only one of several functions performed by this person. She is also in charge of maintenance and custodial services. The district employs five part-time bus drivers and one bus aide who works between 2 and 13 hours per day. The salaries for the district’s five bus drivers and the bus aide in 1995-96 totaled \$98,133. This included \$5,006 (5.6%) paid for overtime and \$12,993 for athletic programs. If a bus driver’s work exceeded 40 hours in one week he received overtime. The district is presently providing benefits for staff members who work more than 20 hours per week. All bus drivers and the bus aids are working more than 20 hours per week and thereby receive full benefits.

According to the 1995-96 CAFR the district spent \$339,922 in transportation for everything except benefits (e.g., health, social security and pensions), insurance and depreciation. This includes contracting out to the special services district, when feasible, for out-of-district special education transportation. After out-of-district special education and contracted services costs are subtracted and other related costs are added for comparison to contracted services, the expense for in-district transportation is \$231,188.

Salaries for Transportation (including Athletics)	98,133	
Benefits @ 29%	28,459	
Subtotal Salaries & Benefits		126,592
Purchased Professional & Technical Service	1,065	
Maintenance Services	6,531	

Supplies and Materials	13,565
Insurance (@ \$8,906 per bus, 6 buses	53,435
Bus depreciation (\$5,000 per bus, 6 buses)	30,000
Sub total - other cost for transportation	<u>104,596</u>
Total Cost for In House Bussing	231,188
Contract Service	<u>233,621</u>
Total cost for student transportation	464,809

Bus schedules were reviewed and all buses were found to be fully occupied in the mornings. In the afternoons, buses are used to transport students between schools and are not fully occupied.

Recommendations:

- 1) For weeks when some drivers are scheduled to work more than 40 hours the district should consider employing more part-time bus drivers to avoid payment for overtime. The district should also negotiate for termination of health benefits for all part-time bus drivers.

Estimated Savings \$33,000

- 2) Due to space problems, some programs and educational services cannot be offered within a specific school. Therefore transportation service is needed to take the students to other schools within the district. This service is costly to the district. If the district could resolve its space problems (e.g., by establishing a middle school and closing one or more of the existing elementary schools) this service would no longer be needed. Therefore the transportation cost needs to be included in an analysis of the various space alternatives.

Out-of-district Transportation

There is a cooperative effort in Bergen County for out-of-district special education transportation services that is being utilized by every district including Rutherford. Out-of-district students are transported by a jointure through the Bergen County Special Services School District. The following table illustrates the district's out-of-district transportation expenses.

		Avg. # of	Cost	Cost
		Students	Per Yr.	Per Student Per Yr.
Jointure	Pool	54	176,806	3,286
Jointure	Non-pool	2	35,972	23,981
BOVE	Pool	86	10,160	118
LBOE	Pool	-	7,200	\$40 Per day

As is shown in the table above, jointure bus pooling is less expensive. The district also utilizes routes and services offered by neighboring school districts. These are provided by the Board of Vocational Education (BOVE) and the Lyndhurst School Board.

Efforts should be made to utilize any services provided by the BOVE and the Lyndhurst School Board, assuming they would be willing to provide in-district bussing for Rutherford at a reasonable cost.

FACILITIES

The Rutherford School System has one high school and five elementary school buildings. Three of the schools have self-contained special education classes from which students are mainstreamed into regular classes for portions of each day. The elementary schools range in total enrollment from 141 to 596 and the acreage of each school ranges from 0.5 to 2.9 acres. Each of these schools is quite old ranging in age from 70 to 90 years. None of these schools have the ability to provide adequately for future growth.

RUTHERFORD SCHOOLS

	LINCOLN	WASHINGTON	SYLVAN	PIERREPONT	UNION	HIGH SCHOOL
Grades	K-5	K-5	K-5	K-8	K-8	9-12
Date Built	1912	1912	1917	1906	1926	1922 1957
Square Ft.	15,800	15,800	15,700	72,728	62,222	135,000

Acreage	2.1	1.7	0.5	2.7	2.9	5.6
Enrollment Capacity (1973)	157	159	159	549	536	1,014
Current Enrollment	141	146	156	596	522	630
Available Space	16	13	3	(47)	14	384

Classroom Space Needs

The Rutherford School District has had, and continues to have a space problem in its schools. Crowded classrooms, coupled with older buildings and an increasing school age population continue to have a substantial impact on the district. Ever present costs associated with building upkeep, maintenance and renovations are of ongoing concern to the district.

One study of projected enrollment for grades K- 12 in the Rutherford School System calls for an increase of approximately 220 students by the school year 2000-2001. This would call for 11 additional regular classrooms of 20 students each, plus additional space for special education, music, art, etc. As a result of several factors; e.g., the closing of the Fairleigh Dickenson University campus, the return to public education of students from private and parochial schools, senior citizens selling their homes to families with school age children, etc., enrollment rose at an unusual rate during the past year. For example, between June, 1996 and September, 1996 the district's enrollment increased by 78 students.

The district is presently investigating the feasibility of several options aimed at addressing the anticipated growth in enrollment. Options which are presently being given some consideration include establishing a district-wide middle school and renovating and utilizing the third floor of the Pierrepont Elementary School.

The district recently contracted an educational consulting agency to conduct both a demographic and a feasibility study of the district, focusing on the impact of planned and approved development; school programs and enrollments; the school facilities, including cataloging all spaces, their area and use; options available to the district with estimated costs; CAD sketches of various building options; total projected costs through occupancy; and the impact of each option on maintaining current programs.

Simultaneously, an architectural firm was contracted to conduct educational feasibility studies of each of the existing buildings on the Fairleigh Dickenson campus; assessing potential educational usage for public education.

There is no question that the district will need additional classroom space in the near future. It is also acknowledged that at least two other major changes will undoubtedly have to be given consideration by Rutherford residents in the near future; redistricting of students and the "middle school concept" for students.

CUSTODIAL & MAINTENANCE SERVICES

Rutherford's maintenance and custodial services are managed by a coordinator who works out of the Pierrepont School. She is also responsible for coordinating the district's transportation services. A maintenance foreman supervises the maintenance work. The 16 full-time custodial and eight full-time maintenance workers normally work an eight hour day except for the night custodians who work seven hour shifts. In visiting each of the facilities, it was observed that they were clean and well maintained.

Two of the custodial staff members have bus driver licenses and are able to fill in for absent bus drivers when necessary. The district has six maintenance vehicles (one car, two pick-up trucks and three vans.)

The costs of custodial services for 1995 -1996 were as follows:

Salaries	\$548,307
Benefits (estimated at 25%)	137,077
Overtime	63,500
Substitutes	6,077
Supplies	<u>46,829</u>
	\$801,790

The district's properties cover 328,355 square feet, and the cost of custodial services per square foot is calculated to be \$2.44. The market rate for custodial services in the greater Bergen county area is \$2.11, according to the American School and University standard.

If the Rutherford School District were to contract out its custodial services, potential savings could exceed **\$108,000**. Another option would be to reduce the custodial staff through attrition.

Reducing the custodial staff by two employees would realize a savings to the district of approximately \$85,600.

The cost of maintenance services were as follows:

Salaries	\$370,757
Benefits (estimated at 25%)	92,689
Overtime	15,368
Supplies	<u>75,757</u>
	\$554,571

This amount would make the district's cost per square foot for maintenance services \$1.69. The market rate for maintenance services in this geographic area is \$0.65. If the district were to contract out for its maintenance services, the potential savings could exceed **\$341,000**. Another option would be to reduce the maintenance staff by attrition. Reducing the maintenance staff by 50% (4 employees) would realize a savings to the district of approximately \$231,600.

A third option would be to seek an arrangement with the municipality whereby all municipal building maintenance work becomes the primary responsibility of the school district. Utilizing existing full time maintenance staff, the school district could charge the municipality what it presently pays for this service, realizing an additional \$60,065 in revenue. Ultimately this would result in a savings for the taxpayer via reduced staffing for the municipality. (This option also appears in the Borough of Rutherford Report.)

Recommendations:

The Rutherford School District should explore various methods for reducing the cost of custodial and maintenance services. Options include:

- reducing staff, overtime and substitute hiring where possible;
- obtaining competitive contracts from outside private contractors; (District personnel interviewed have expressed concern over contracting these services because of familiarity between students/teachers and custodial staff and the benefits derived from such relationships. One viable solution would be to contract out for that portion of the custodial services which would not directly impact the relationship with the student body, teachers and custodians; i.e.; evening custodial work.);
- contracting with the municipality for municipal building maintenance services; and
- re-negotiating with custodial and maintenance staff as necessary to ensure that the accurate market price is being paid for these services.

In the area of overtime work for custodial and maintenance workers, such work should be carefully monitored. Modifying and/or realigning shift hours might be one method of reducing the amount of overtime, while essentially providing the same level of service.

FINANCE

Business Office

Organizational Structure

The organization consists of a business administrator, a business assistant, a payroll clerk, a bookkeeper and a secretary. For the most part, the roles and responsibilities of the business office

staff are no different from other departments of this type. However, the business assistant's position brings with it additional experiences and responsibilities. This staff member has 35 years of school business experience, including the position of business administrator for the district.

The business assistant is responsible for entering budget data and maintaining the general fund and petty cash account. He also assumes the responsibilities of board secretary and is the custodian of the petty cash and general organization fund (general student activity accounts.) He prepares the bank reconciliation's. The general organization fund consists of 60 sub accounts, i.e., 20 for athletics and 40 for clubs. He is also responsible for a variety of scholarship funds which reside in interest bearing checking and savings accounts.

The custodian of the general fund and payroll accounts is the CFO/Treasurer for the municipality. In this capacity, this person is responsible for validating the availability of funds and cosigning expenditures; however, he is not responsible for generating checks from these accounts. Additionally, the CFO serves as the Treasurer for the school district.

Payroll Processing

The biweekly payroll is processed exclusively by a full time payroll clerk, who processes 450 checks valued at about \$650,000 for the full time and part time staff. In addition to routine tasks such as maintaining timesheets, and being the custodian of the payroll agency account, the payroll clerk generates quarterly and annual reports including state and federal filings. The payroll clerk is the only person knowledgeable enough to execute these critical and vital payroll functions. The business office at one time contracted with ADP for payroll services but opted to make this an in-house function eight years ago. The administration decided at that time that it would be more cost effective for the business office to prepare the payroll by using off-the-shelf software. Consequently, a system titled WOS was purchased from a Kansas-based company.

One weakness of this system is that it does not allow for a split-net calculation. This requires the payroll data exceptions to be keyed in twice a month. A system that allows for a split-net calculation would carry forward the data from one payroll to the next. Consequently, the system in place is more labor intensive and time consuming. Management realizes the value of having a split-net system and is inquiring with the company about this modification.

Recommendation

The team encourages the school district to consider contracting a private firm to generate the payroll. In addition to preparing the payroll checks, ancillary reports and quarterly and year-end reports, including W-2s and state and federal tapes, this firm should offer a host of other products. For example, it should provide full tax filing services for New Jersey, quarterly earnings' cards for employees, check sealing, signing and stuffing, 24 hour delivery and a check reconciliation report for every processing cycle.

Most importantly, this firm should provide vital hands-on training and field assistance to ensure the success of their products and services. These are just a few of the features offered by the more noteworthy of these service firms.

The annual cost of preparing the semi-monthly payroll in its entirety, should be between \$11,000 and \$15,000 (depending upon specific features.) Furthermore, “one-shot” training would be provided for two staff members and would take between 25 and 36 hours. These numbers are subject to a learning curve, but programs are designed to minimize effort to make the transition.

Importantly, payroll functions can be reduced to an average of **3 days** per pay period. This is in contrast to the present full time effort. These are conservative estimates and are based on the time spent to process the Rutherford Municipal payroll. For example, the municipality contracts ADP to process its biweekly payroll consisting of 250 employees. As a result, the CFO spends an average of one day per pay period on payroll processing functions (including the additional quarterly and annual preparations and filings.)

In addition to reducing the labor intensity of the payroll process, a long-term benefit of contracting out would be realized in terms of having adequate back-up staff when a person retires. Specific to this is the case where the business assistant is eligible for retirement in June, 1998. There is no apparent reason why this position has to be filled assuming adequate cross-training and back-up would be initiated for the primary functions of the business office. Furthermore, this assumes that the workload does not increase and more importantly, that current processes are streamlined where appropriate.

The annual compensation for the dual responsibilities of business assistant/board secretary is \$112,000 in salary plus \$28,000 in fringe benefits. Once this staff member retires in June, 1998, payroll expenses will be reduced by **\$140,000** annually, since his duties will be absorbed by the present business office staff..

Typically, the business administrator also serves as the board secretary and we urge the school district to consider this change in responsibility.

Cross-Training / Back-up

Work in the business office is done on a consistent and timely basis. Delays are virtually nonexistent as long as the full staff complement is present. However, if someone is out for an unexpected reason, the likelihood of a delay occurring, is high. Nowhere is a delay more serious than with payroll processing.

Fortunately, this has not occurred because the payroll clerk always schedules her leave time around her work schedule. However, there is no one else adequately trained to execute the payroll function, even at the bare-bones minimum level. The need for a qualified staff person to act as backup to the payroll clerk, is vital.

Recommendation

The team urges the school district to develop a plan to cross-train their business office staff. This effort should be ongoing and could reap high dividends in terms of maintaining the continuity and integrity of the work.

Purchasing System

System Process

The purchasing functions take place in the business office and performed by two staff persons, the bookkeeper and the business assistant. Approximately 3,000 to 3,500 purchase orders are generated annually.

Each school submits its purchase requests through the principal who forwards them to the business office and then to the superintendent for final approval. The voucher then goes to the vendor with a copy to the school. The paper entries are done by the bookkeeper, who verifies all the requests and orders. The vendor payment is initiated by the business assistant who keys the data and generates the checks. He is also responsible for validating the availability of funds in all the accounts and running the monthly bill list for approval by the board. He is then responsible for the computer generated checks and ancillary reports.

All purchase requests for general and school supplies go through the Education Data Service Inc. (EDS). This firm handles joint purchasing for 70 school districts in the state, 50 of which are from Bergen County. Presently, the Rutherford School District has a joint purchase agreement with 30 school districts within this consortium.

EDS produces a bid list in the fall for its members. The school districts review their respective bid list and note any additions, changes and/or deletions. Subsequently, the districts return their revised bid lists to the EDS through the Lawrenceville Board of Education Association. This organization is utilized as an LEA (Local Education Agency) as it qualifies as a non-profit agency, the only type of entity that can serve as an agent and accept bids for other school districts. For example, EDS does not have the legal jurisdiction to make the purchases outright, for the school districts in the consortium.

As a companion to the bid list, the Ed Data Corp. produces a preliminary booklet in December which illustrates a variety of items. This catalog contains more than 600 general office supplies, as well as school supplies, paper products and custodial supplies. Furthermore, the catalog illustrates supplies for art, athletics, audio visual (including equipment), computers (not software / hardware), copiers/ duplicators, custodial, fine arts, health, home economics, physical education and science. However, some equipment, such as computers, is purchased through other sources but only if they are state vendors.

In February, a revised catalog is prepared and distributed to the consortium members. This is done after the revised bid lists are returned to EDS and the changes recorded. The company also provides its members with an updated vendor list every year. Likewise, EDS is responsible for advertising the products illustrated in its catalog. The company is paid \$9,000 annually, by each consortium member, for its service. At the national level EDS services 250 school districts. A conservative estimate of the net savings for the school district is at least \$16,000 per year, based on a report by ED.

The vast array of items offered via this cooperative purchasing agreement, enables the school district to take advantage of bulk discounts for most items.

Recommendation

The school district should consider an integrated, on-line purchasing system that would enable department heads and staff to initiate discreet inquiries. These inquiries would include the status of a requisition or purchase, as well as that of the department's budget appropriations and expenditures.

Purchase Order Schedule

Purchase requisitions are submitted to the bookkeeper from the schools as the need for various supplies and equipment arise. Requests are typically received daily. These six-part forms are assigned a purchase order number after the necessary approvals are secured. At this time the request becomes known as a purchase order.

Vendor Payments / Approvals

There are various steps including validation of cost centers and available funds by the bookkeeper, before the order is sent to the superintendent for final approval. The business office typically processes a purchase order within three days, which culminates with the mailing of the purchase order to the vendor.

After the merchandise is drop-shipped by the vendor, the bookkeeper is notified and she promptly prepares the documents for the vendor payments. The disbursements are prepared by the business assistant who generates the bill list and vendor checks. Subsequently, final payment approval must be granted by the school board at its monthly meetings.

Management Report

A financial status report is submitted monthly to the principal at each school. The report illustrates the status of the school's general obligation fund accounts in terms of receipts and disbursements. Likewise the department heads receive a monthly summary report illustrating the status of each budget line item. This report provides school level managers with up-to-date information about their departments' appropriations and expenditures.

Information Security

The business office staff are the only persons who have access to the accounts payable information. Maintenance of these records is the responsibility of the bookkeeper and the business assistant. No one else has authority to alter the information.

Budget / Control

Department budgets do not experience over-expenditures due to the internal controls at the school and business office levels. The purchasing operation is running well and the business office staff as well as the school administrators are pleased with the results.

Vendor Usage

The business office deals with state vendors as often as possible; but in some cases this is not practical. The school district also purchases from local merchants for the less expensive general office supplies that are not in large quantities or high dollar value.

The state requires that three quotes be secured if an item costs over \$250.00. This includes supplies as well as furniture and equipment. Furthermore, when an item is priced over \$12,200, a bid must be solicited. On the other hand, a public entity cannot avoid the bid or quote requirements by reducing the purchase order amounts in order to stay within the thresholds. The requirements are predicated on the aggregate spending for a line item, not just on an individual purchase order. However, supplies can be purchased directly without going through the quote or bid process if a vendor is under state contract. For the most part, general office supplies are purchased through three suppliers. Nonetheless, the public entity must make a concerted attempt to secure the quotes and bids accordingly. However, when this requirement is not satisfied, the governing body has the authority to make its choice from the quotes or bids that were submitted or to solicit again.

Recommendation Regarding Vouchers for Purchasing

There are delays in paying vendors due to the State's requirement that each district have a signed voucher attached to every purchase order in excess of \$150.00. The premise behind this regulation is to prevent, or at least reduce the likelihood of collusion between the vendor and the purchaser. However, given the magnitude of the typical state purchases for items such as general office supplies and equipment, consideration should be given to raising the threshold or eliminating the requirement of a signed voucher. In doing so, this would significantly reduce the time and effort to process purchase requisitions for payment. Consequently, purchasing agents for the state and local governments (including school systems) could negotiate with vendors for higher discounts predicated on the fact that payment for goods and services would be made sooner.

Recommendation Regarding Bill Lists

Presently, the school systems are unable to take discounts for payments made within 30 days; for example, 2/10 net 30. This is because vendor payments are done after the school board reviews and approves the bill list at its monthly meeting. In effect, the payment frequency is controlled by the

meeting schedule and therefore, a school system is unable to take advantage of any early payment discounts.

In addition to raising the \$150.00 threshold as mentioned earlier, consideration should be given to amending the process of approving the bill list. This should be done with the intention of giving the school system more latitude with their vendor payments for the purpose of streamlining and enhancing the process. Most importantly however, any amendment to the current process must consider all aspects of internal controls to ensure that the integrity of this process is not compromised.

Auxiliary Function

Vehicle Maintenance

The school district presently has 12 vehicles which are serviced at a local garage that specializes in truck and bus repairs. Repairs are done on an as needed basis and there is no written contractual agreement between the district and the service station. The district employs a foreman to monitor all vehicle maintenance. He is responsible for initiating the actual vehicle maintenance as well as the accompanying schedules and records.

The Department of Public Works (DPW) does not maintain the school vehicles because it is not adequately equipped to support the workload, in terms of capacity. DPW does supply gasoline for school vehicles, excluding the school buses. The DPW facility cannot accommodate the school buses entering and leaving its site.

If the existing vehicle maintenance practices are to continue, the district should initiate written contractual agreements. An alternative and potentially cost reducing recommendation is to consider making vehicle maintenance a shared service between the school district and the municipality. (See below under “Shared Services”).

INVESTMENT & BANKING MANAGEMENT

Banking Services / Account Management

Banking Relationship

The Rutherford School District has been with Fleet Bank for more than five years. The relationship between the district and the bank is a strong and positive one. However, there is no written agreement detailing or outlining banking services, products or costs. Fleet Bank currently provides a normal range of services to the district and requires service payments via compensating balances, instead of paying in actual dollars. The school district and Fleet Bank have enjoyed a cooperative

and long-standing relationship. It maintains an open communication with the branch offices as well as with the government banking units.

Recently, the district mailed requests to First Union, Summit Bank and The Bank of New York for service fee quotes. These banks responded with proposals that did not provide any services or fee reductions that the school could take advantage of.

Recommendation

A written agreement should be developed by the bank that secures the award for banking services. This agreement should detail the banking services and related costs that are relative to the Rutherford School District. Additionally, an accompanying document should detail ancillary services and costs that the bank provides for its commercial customers. This information will further enhance the successful management of the district's bank accounts.

Financial Management

The business administrator, business assistant and bookkeeper, as well as the municipality's CFO/Treasurer, have an in-depth and well-rounded knowledge of the financial process and needs of the district. The bookkeeper handles Certificates of Deposit (C/Ds) and deposits to the New Jersey Cash Management Fund (NJ CMF).

The bookkeeper secures competitive interest rates from the community banks to be assured that Fleet Bank is providing the best possible service to the township. The business administrator has the final say as to how much is invested and for what term. At times, certificates of deposit are purchased from another bank if the interest rate warrants the move. These are usually purchased when excess funds become available and are typically issued with 15 day term limits. School district funds are deposited into Fleet Bank three days a week, with the bank providing a courier service.

Recommendation

The business administrator should solicit information from the bank(s) about the various automated banking products. These services utilize modern techniques to enhance an organization's ability to make prudent investment decisions.

Bank Statement Reviews / Audits

The monthly reviews and audits of the bank statements are done on a consistent and timely basis. These functions are shared among the payroll clerk, business assistant and treasurer of school funds (municipal CFO), with specific accounts handled only by one person. Even though this is a measure of good internal control, a lack of cross-trained and backup staff exists. Only specific accounts are

reviewed by certain staff, which presents a problem when someone is either out of work for more than a few days or when the workload is unusually heavy.

Recommendation

The importance of staff cross-training must be reiterated. As mentioned earlier in this report, it is imperative to establish an ongoing training plan which will benefit the organization as a whole in terms of maintaining continuity and integrity, relative to the various critical functions of the business office.

Cash Management System

The business office is a well-managed operation in terms of how the bank accounts are maintained and the extent to which investment decisions are made. Disbursements are issued monthly and the staff has a very clear understanding of the district's flow of funds. The personnel are experienced and conscientious and open to suggestions on how to improve methods and procedures.

The business administrator and bookkeeper manage to keep the operating bank account balances to a minimum, usually maintaining fund balances necessary to cover outstanding checks. The district manages to maintain a minimum number of accounts, in an effort to reduce overhead and maintain adequate account control. The bookkeeper maintains a daily cash flow for the primary accounts such as the general fund, which contributes to the successful management of the accounts.

The business administrator and the business assistant and the municipality's CFO/Treasurer, are most knowledgeable about the school district's financial position. For the most part, the district's excess cash from its operating accounts is invested in certificates of deposit ranging from 15 to 30 days in term. The total cash position of the district for investment purposes is represented by 13 government special checking accounts, all of which are interest bearing. These 13 accounts consist of six operating accounts, including petty cash, and seven scholarship funds and are on deposit with Fleet Bank.

Additionally, there are 13 more scholarship funds on deposit as follows:

- five personal savings accounts in Summit Bank;
- four government checking (NOW) accounts in Fleet Bank;
- one business savings account in The Bank of New York;
- one personal (regular) savings accounts in Boiling Springs Savings Bank;
- and two Certificates of Deposit (C/Ds) in Boiling Springs Savings Bank.

Due to the nature and size of the accounts with Summit Bank, the excess funds are not considered for investment purposes. Likewise, the New Jersey Cash Management Fund has not been utilized recently due to the rates paid by Fleet Bank. The district maintains an open account with the NJ CMF and considers it when excess funds become available. Of the 13 scholarship funds, the four that are on deposit with Fleet Bank are in non- interest bearing accounts.

The business administrator and bookkeeper strive to keep the operating bank balances to a minimum, in order to minimize service costs and maximize investments. Without the use of up-to-date and timely information, this task is very difficult to manage. The business office staff is performing as well as it can presently, given its current resources.

The average monthly balances in FY 1996 ranged from approximately \$10,000 to \$675,000, over the 13 checking accounts in Fleet Bank. The needs of the district, as with any local entity, do not remain constant throughout the fiscal cycle. The primary goal of cash management is to optimize the use of funds. This is very difficult to do when an organization does not have a modern cash management system at its disposal.

Presently, the bookkeeper receives a weekly report from the bank illustrating the wire transactions. This information is confirmation of the revenue and expenditure actions that were completed via electronic mode. The business administrator is considering utilization of an on-line daily bank reporting system, which would be provided by the district's servicing bank.

The business administrator solicited bids for banking services from five local and regional banks. These are due back by the end of April. The decision to award a three year contract is planned to be finalized by the end of the school year.

Recommendations

1. The business administrator and business assistant should meet with the municipal CFO/Treasurer to review and assess the banking relationship and banking services. These should be viewed in the context of determining the best product(s) for the organization's current needs. This should be ancillary to any meeting that the district has with the bank(s).

A review should be conducted of the district's banking relationships. The review should look at the current banking practices, procedures and products, that the school district is utilizing. By analyzing the district's present cash management system, the bank and its client are then better equipped to determine which products and services will best serve the organization.

The review should look at the current banking practices, procedures and products, that the school district is utilizing. These would include new products, automated and otherwise, and on-line systems that link the organization with the banks. This benefits the school district in terms of knowing how well the current services provided are and opens communications regarding current and new services

By analyzing the district's present cash management system, the bank(s) and the client will be better equipped to determine which products and services will best serve the organization. Then the banks can suggest more modern financial and budgeting practices for the municipality. Consequently, these will prove to be practical as well as valuable for the school district as a whole.

2. The scholarship fund accounts be combined under one bank and in a simpler format from that of having 13 individual accounts. This would lend itself to a simpler and more efficient method of account management, which would result in enhanced opportunities for interest earnings. The district could garner as much as an additional **\$4,800** annually, based on the approximate interest earnings of \$1,200, that was earned in FY 1996.

These additional earnings do not account for the additional savings in administrative overhead that is currently consumed by the business office staff. This includes the time spent by the business assistant. Again, the team calculated future savings based on very conservative estimates. For example, it is estimated that it presently takes up to 48 staff hours per year (at a rate of \$80 per hour) to review and reconcile these accounts. This function would be reduced from 48 to 12 staff hours per year by consolidating these accounts and by utilizing more modern and automated techniques. Thus, 36 staff hours would be saved each year, which computes to a revenue enhancement of \$2,880 annually.

Account Analysis

The district's interest bearing checking accounts, as well as the instruments used for short-term investing were analyzed. The analysis determined that the school district has consistently earned the market rate on its balances. Furthermore, earnings have been higher in some instances, by comparison, than those paid by the New Jersey Cash Management Fund and the 91-Day T-Bill.

There is no formal cash flow maintained for any of the accounts. Furthermore, there are no monthly account analysis reports utilized. The bank will provide these at no additional cost to the commercial customer, but only when the client asks for them. Once these reports start they continue without interruption, unless the client requests otherwise.

The use of the monthly analysis reports is vital to a well-managed cash management system. By utilizing these reports, the finance officer has a clear picture of the bank service charges as well as the interest earned on the district's deposits. Adjustments can be made accordingly to increase or decrease balances as needed.

The primary (main) operating accounts should be identified as those which will be closely monitored and controlled, in terms of maintaining minimum balances. We reviewed the 13 operating accounts on deposit with Fleet Bank in FY 1996 and found the monthly balances to range between \$95,000 and \$210,000. We feel that \$100,000 is a reasonable base to use for determining minimum account balances.

For the most part, the same five accounts appeared each month, and therefore these are labeled as the primary operating accounts. In other words, the investment strategies of the district are based on the availability of excess funds from these accounts. Likewise, the remaining eight accounts were classified as secondary using the same criteria for classification.

The available funds in the primary operating accounts encompassed between 93% and 97% of the aggregate funds in all 13 accounts. Likewise, it was found that excess funds ranged from a monthly

average of (\$54,900) to \$676,200. The funds that were actually needed to pay for banking services averaged between \$345,700 and \$567,800. The idle/excess funds remained in the five primary accounts that could have otherwise been invested, and for longer terms.

Although there were excess/idle funds available for investment, the business office is commended for maintaining the account balances at a relatively low level. Relatively speaking, the district maintained consistently low balances, while earning a fair market rate.

Recommendation

1. Maintain a daily cash flow for each of the main accounts; furthermore, review the secondary accounts and maintain these accordingly. This will reduce if not eliminate, the possibility of an account falling into a negative balance situation.
2. The team urges the school district to evaluate all accounts and determine where funds in excess of \$100,000 could be invested for terms of more than 30 days. This practice would reduce administrative overhead while enhancing potential earnings.

Once the district identifies its main accounts and controls them in terms of maintaining minimum collected balances, the secondary accounts could be used to cover the cost of the monthly banking services. In this way, the overhead of managing the smaller accounts is minimized, while the interest earnings on the primary accounts is maximized. Furthermore, by reviewing the balances in all of the accounts on a consistent basis, the available balances could be adjusted as needed, further increasing the opportunity for additional earnings.

A potential exists for the district to garner additional interest earnings of approximately **\$5,500** annually, depending upon which investment vehicle is utilized. This conclusion is based on the premise that excess funds would be deposited into a fund(s) which yield a rate equivalent to the New Jersey Cash Management Fund (NJ CMF) and/or the 91-day Treasury Bill.

These additional earnings do not account for the additional savings in administrative overhead that is currently consumed by the business office staff. This includes the time spent by the bookkeeper and the business administrator. Future savings could be generated based on very conservative estimates. For example, it is estimated that it presently takes up to 500 staff hours per year, at a rate of \$35 per hour, to review these accounts and to decide how investments will be focused. This function could reasonably be reduced to 100 staff hours per year by utilizing more modern and automated techniques. Thus, 300 staff hours would be saved each year, which computes to a revenue enhancement of \$10,500 annually.

3. The business administrator should request that the banks provide a monthly customer account analysis. These should be reviewed consistently to determine if available balances should be adjusted and excess funds invested accordingly. This will result in a more efficient management and control of the operating accounts, thus reducing idle funds and maximizing interest earnings.

4. All accounts should be included on the analysis in order to garner the highest possible interest rate. Once the district requests the analysis, the bank will continue to provide the report without interruption.

5. Review the school district's bank accounts and relative banking services and fees with the government banking representatives from that bank that is awarded the contract. This practice will help to determine new trends and develop new strategies for managing the flow of funds.

New Technologies/Methods

There have not been any new or modernized banking products utilized by the district. There are no periodic visits from the bank or requests by the district to review the current requirements of the district compared to the products being utilized. This would include automated processing versus manual, more routine and timely reporting and updates and easier access to information.

Recommendation

As mentioned earlier, the district should approach its banking partner(s) and work vigorously to determine which products are best suited to enhance the cash management functions of the business office. This would result in long-term benefits to the entire school district and to the borough as a whole, by implementing more cost effective and efficient business practices.

Other Analysis/Tools

A simple, concise and precise method of tracking the flow of funds should be in place for any and all accounts. In addition, the district needs a method of short-term forecasting based on the previous year's account trends. This can be done on a discretionary basis for specific accounts or by aggregating the revenues and expenditures of all accounts.

Typically the trend will remain fairly constant from year-to-year, but can be adjusted at will, with no additional administrative overhead. These tools in concert with the bank analysis reporting will enable the finance director to predict cash flows with less effort and more accuracy. Also these are good negotiating tools when discussing rates with the banks.

Recommendation

Generate a short-term forecast at the end of each school year which would project estimated banking revenues and expenditures for the subsequent year. The forecast should include at a minimum, the main accounts and all additional accounts.

FOOD SERVICE

The district's food service program was reviewed. This included interviewing the food service director, visiting lunchrooms and reviewing various documents; e.g., the financial records as reported in the CAFR for the years ending June 30, 1995 and 1996.

The Rutherford School District does not maintain kitchens, per se, in its schools. Most students, at the elementary level, bring their lunches from home, and at the secondary level, leave school for lunch. Students are allowed approximately one hour for lunch. More than 73% of students from Grades one through eight stay in school for lunch. Only 27% of the high school students have their lunch in school.

The following table demonstrates the percentages of students going home or staying in school at lunch time.

<u>School Name</u>	<u>Stay in school</u>	<u>Go home</u>
Lincoln	85%	15%
Sylvan	85%	15%
Washington	85%	15%
Pierrepont	72%	28%
Union	40%	60%
Average (Gr. 1 - 8)	73.4%	26.6%
High School	27%	73%

More than 40 part time lunch monitors work between one and four hours per day in the district's lunch rooms. Their main responsibility is monitoring student behavior. The students in grades one through eight have a 30 minute hour lunch period and a 30 minute play period out on the playground, weather permitting. When the students go out for lunch recess, more monitors are utilized for safety reasons. It was observed that students have more than enough time to finish their lunches and that the 30 minute recess period is rather excessive, especially on days when students don't go outside.

The district pays lunch monitors \$7.25 to \$8.00 per hour. This cost is not counted toward the total district food service cost. The lunch monitors' salaries (totaling \$126,092) are paid from the general fund. In 1995-96, the board contributed an additional \$8,000 to the food service program. This represents an unreported deficit totaling \$127,402 for the food service program.

The following table illustrates the actual profit/loss for the food service program:

	1995-1996	1994-1995
Revenues		
School Lunch	7,846.00	11,087.00
Milk	654.00	725.00
Other	46.00	5.00
Non-operating Income	<u>7,859.00</u>	<u>9,412.00</u>

Total Revenues	16,405.00	21,229.00
Expenses		
Cost of Sales	<u>17,715.00</u>	<u>23,634.00</u>
Total Expenses	17,715.00	23,634.00
Net income (loss) before adj & board Contribution	(1,310.00)	(2,405.00)
Total adj: Salaries - lunch monitors	126,092.00	126,092.00 **
Total adjusted expense	143,807.00	149,726.00
Net income (loss) after adjustment before board contribution	(127,402.00)	(128,497.00)
Board Contribution	8,000.00	-
Total loss after board contribution	(119,402.00)	(128,497.00)

** For the year 1994-95, the team used the same salaries for 1995-96 as an estimate due to unavailable information.

According to CAFR and budget guidelines, if a district receives state and/or federal reimbursement for food service costs or collects fees from students for the cost of meals, the entire food service operation activity must be recorded in a separate enterprise fund; not within the general fund of the budget. Any contribution made by the board toward food service operations is reported as a lump sum contribution transferred to cover any deficits. These costs should not be included elsewhere in the budget. However, if the full cost of the operation is funded by the board, the expenditures should be categorized and reported in the general fund.

The Rutherford Board of Education receives state and federal reimbursements and collects fees from students for meals. Therefore, the district should report the entire food service operation in the enterprise fund. Enterprise funds are used to account for operations that are financed and conducted in a manner similar to private business enterprises, with the intent that the costs of providing goods or services be financed through user charges.

The students in Washington and Sylvan Schools can purchase their lunches in school. This is because the district has an agreement with Lyndhurst School District to provide the lunches for both schools. The Lyndhurst School District charges \$2.10 per meal and Rutherford resells it at \$1.70; thereby losing \$.40 per meal. This totaled \$1,714 in 1995-96. The students place their orders with the chief lunch monitor each week. The lunches are picked up by the chief lunch monitor half an hour before serving. Pierrepont, Union, Lincoln and the high school do not participate in the National School Lunch Program due to the number of qualified participants being less than five percent of the school enrollment (NJAC. 6:2-9.6).

Rutherford Board of Education

Lunch	1995-1996	1994-1995
Paid	4,285	5,904
Reduced	798	1,799
Free	2,614	2,469
Total	7,697	10,172
Food cost per meal	\$ 2.10	2.10
Paid meal price	1.70	1.70
Loss per meal	(0.40)	(0.40)
Total loss for paid lunch	\$ (1,714)	\$(2,362)

Recommendations:

1. To avoid the loss for each meal, the district should negotiate with the Lyndhurst School District to reduce the lunch cost or get an approval from the Bureau of Child Nutrition to increase the lunch price. (NJAC 6:20-9.9). **Saving \$ 1,174**
2. It is the perception of many people in the community that the "brown bag" lunch program is directed at assisting working parents. A half hour to forty minute lunch and recess period should be enough for students. The additional time presently being used for lunch and recess could be better utilized for instructional purposes. This additional instruction time could be used to bring the district instructional day up to the state average of five hours and twenty-three minutes. This change, if implemented, could increase savings for the district and the municipality; i.e., salaries of 17 crossing guards. Also, some lunch monitoring time could be eliminated if classes are combined under one monitor. (See the table below.)

. Below is a suggested lunch monitor schedule:

School	# of classes	# of sittings	# of lunch monitors	# of students per lunch monitor	# of hours	wages per day	wages per year
Pierrepoint	29	3	4.0	48	2.5	\$ 75.00	\$ 13,500.00
Sylvan	7	1	3.0	47	1	\$ 22.50	\$ 4,050.00
Washing.	5	1	2.0	50	1	\$ 15.00	\$ 2,700.00
Union	23	2	5.0	46	2	\$ 75.00	\$ 13,500.00

Lincoln	5	1	2.0	50	1	\$ 15.00	\$ 2,700.00
			16.0			\$ 202.50	\$ 36,450.00

Total salary paid 1995-96 \$ 126,092.00

Savings \$ 89,642

3. All expenses related to the food service program must be reported in the enterprise fund.

Total Savings \$ 90,816

SHARED SERVICES

In Rutherford there are not many instances where the borough and the board of education are combining resources to create economies of scale. Opportunity exists for reduced costs and/or increased efficiencies via sharing or joining services within specific function areas (like DPW). Presently, shared services include the following:

- the borough picks up garbage and recycling materials at the schools, and
- there is cooperation regarding recreational activities (i.e., the board of education uses borough parks and fields for athletic events, and the borough uses school facilities to run some of its recreation department activities).

Within these arrangements, all costs are borne by the entity providing the service. Along with providing shared services, there is one instance of joint purchasing between the two entities and that is for fuel.

There are many other opportunities for the two entities to share services and engage in joint initiatives.

1. Sharing of Equipment - The borough's DPW has some informal networks with other municipalities, so as to share equipment when a specialized piece of equipment is needed or when a piece of equipment is being repaired. There were no such networks described between the borough and the board of education.

2. Snow Plowing/Salting & Sanding - The board of education is responsible to do the snow plowing and related duties (salting & sanding) for all the school facilities. There is no assistance by the borough, with a possible exception for extreme circumstances. The borough should be able to add the school facilities to its snow plowing duties, without any substantial burden, to existing DPW operations. In this type of arrangement, the board of education should still be responsible for the clearing off of sidewalks, entrance ways, etc. If this were to take place, it would reduce the capital costs associated with the board of education

having to purchase and maintain snow plowing equipment and it would reduce some of the overtime costs that might be associated with snow removal.

3. Vehicle Repair - The board of education owns seven vehicles and six buses. These vehicles are, for the most part, maintained by a local garage at a yearly cost of approximately \$6,500. The amount of money that is spent on vehicle maintenance is very low (approximately \$500 per vehicle). With this in mind, it may or may not be worthwhile to have the borough's mechanics do the repairs or create a combined contract. If this initiative is to be adopted, the borough should take on the responsibility of providing this service.

4. Building Maintenance - The borough has one person responsible for all maintenance of the borough's facilities and two people responsible for the custodial functions in the borough hall and the Police/Health Building. The person who cleans borough hall does, as part of his job, the board of education offices and the board pays approximately \$5,700 to the borough for these services. The board of education has 16 custodians, eight maintenance personnel (including a foreman), and a part-time coordinator (who is also responsible for the district's transportation services). This staff is responsible for 328,255 square feet of facilities. The two entities should consider creating one custodial and maintenance staff for all the borough's and board of education's facilities. This would create some cost savings and/or efficiencies. If this initiative is to be adopted, the board of education should take on the responsibility of providing this service.

5. Lawn Maintenance - The borough maintains approximately 35 acres of open space. The board of education has approximately three acres which are maintained by its staff. The two entities should consider creating one lawn maintenance staff for all the borough's and the board of education's land. This would create another cost savings and/or efficiency. The borough should take on this responsibility.

6. Computer Technology, Training, and Maintenance of Computers - A cooperative effort could be effective between the two entities. The computer coordinator in the school system is eager and ready to have the high school students create a web page for the municipality. The team supports the concept of a partnership between the school district and the municipality to enhance computer technology for Rutherford Borough as a whole. The administrators should move swiftly with this plan. However, for this to be accomplished in a timely and cost effective manner, both entities have to give full responsibility and authority to the computer coordinator. Clearly, he has demonstrated that he could spearhead all computer technology initiatives. This arrangement would require an interlocal agreement between the school district and the municipality in order to support compensation for this service.

7. Joint Purchasing Opportunities exist in the following areas:

- computers - hardware & software;
- custodial & maintenance supplies and equipment;
- furniture ;
- health insurance services;
- lawn equipment ;
- library books, supplies, computer access & programs, etc.;
- office equipment (e.g., fax machines & copiers along with maintenance & supplies);
- telephone system; and

- youth activities and other services.

8. Consolidation of Functions - During all the field work the review teams for the borough and the board of education were repeatedly impressed with the rapport and respect that existed between the two agencies. There are few if any visual suggestions of the difference in the function and missions of the two governments in the office. This is clearly an asset that is rather unique.

It is recommended that Rutherford build upon the existing sense of cooperation to pursue consolidation and/or cooperative agreements for all of the municipality and school district administrative support services; such as payroll processing, benefits administration, insurance and risk management, printing and copying, formal bidding, selected professional service appointments, and processing of purchase order and payment authorizations.

It can be argued that for the most part, each of these functions is unnecessarily duplicated in the borough and the board of education. The proposed arrangement is used successfully in a number of other states and it is being seriously considered by New Jersey communities determined to minimize the cost of government. Many corporate models refer to these functions as the “back office” services since they have little or no contact with the clientele.

The differences in procedures between the municipality and the school district are less than what may actually be perceived. The decision of whether to proceed and how to proceed is absolutely a local decision. Indeed the depth, breadth and phases of a consolidation plan is also a local decision. Nevertheless, the municipal and school system teams believe the following represents a reasonable list of possibilities.

A. Annual appointment of the auditing firm. The difference in auditing regulations and audit formats or the difference in the fiscal years will not present a problem. Most public auditing firms already have a combination of municipal and school district clients. Some have separate contracts for two agencies in the same town. The economy of scale generated by a consolidated request for proposals should attract some attractive responses.

B. Consolidation of payroll processing. In the borough there is only one individual fully trained to process the municipal payroll. Were it not for the dedication of this individual, who has an exemplary attendance record and who arranges vacation time around payroll dates, the borough would have a serious problem.

C. Consolidated benefits administration. Differences in the benefit packages of collective bargaining units already exist today. This should not be a deterrent to the consolidation of this function.

D. Appointment of Labor Counsel. In one sense the individuals representing management in contract negotiations for the municipality and the school district are the spokespersons for the taxpayers other than the elected officials. This is because salary and benefits costs are the largest part of each budget. While each collective bargaining agreement must stand on its own, there is nothing to prevent a community from presenting a consistent, if not unified approach to its

bargaining strategies. Even if the municipal governing body and the board of education developed different strategies, the economy of scale should be sufficient to attract outstanding proposals from firms having personnel who specialize in labor policy and procedures, negotiations, litigation and the adjudication of grievances

E. Cooperative competitive bidding. The statutory requirements for preparing, announcing and processing bids are not significantly different between a municipality and a school district. The material contained in every bid packet profiling the product or service to be bid is often drafted by the department that is making the purchase. This would not change. Possibilities for cooperative bidding include, but are not limited to: (1) printing and publishing, (2) administrative supplies, (3) computer hardware and software, (4) unit prices bids for unscheduled repair work, (5) codification and policy manuals, (6) capital equipment purchases, and (7) banking services. Given the impending deregulation of natural gas and electricity it will be in the best interest of both governments to maximize their buying power for these utilities.

The school district and municipality should capitalize on the benefits of sharing the same administrative building. There are opportunities for economy of scale for both entities. Both entities are faced with the same issue of not having an adequate number of cross-trained staff in the finance, payroll and purchasing functions. The administrators from both entities should bring their issues to the table and work on a joint plan that would benefit Rutherford Borough as a whole.

SPECIAL EDUCATION

The Rutherford School System has in its special education (SE) program 307 classified students according to the 1996-1997 ASSA Report. This includes 111 students who are classified for speech only. Excluding Speech, of the remaining 196 students, 161 are educated within the district, with 42 in self-contained classes and the remaining 119 in resource rooms. The other 35 SE students are sent out of district to both public and private educational centers. A three year distribution of special education students is as follows:

Funding Year	1996/97	1995/96	1994/95
Sp. Ed. Students on roll full time	42	43	40
Sent out of district to public schools	24	19	16
Sent out of district to private schools	8	13	14
Sent out of district to regional day schools	3	4	4
Total out-of -district. Sp. Ed.	35	36	34
Received full time	0	0	0

Resource room	119	104	106
Total special education	196	183	180
Speech instruction	111	110	88

Note: The sources of the above information are the District's ASSA reports.

Students are sent out-of-district usually due to the extent or nature of the disability and/or the limitation of space in district schools.

School Type	Number of Students	Estimated Average Tuition Per Pupil	Estimated Average Transportation Per Pupil	Estimated Average Cost Per Pupil
Private	11	22,433	3,157	25,590
Public	12	13,802	3,157	16,959
BCSSSD	18	12,970	3,157	16,127
Regional Day	4	22,750	3,157	25,907
S. B. Jointure	28	13,896	3,157	17,053

Note: The source of the above is district data furnished for the year ending June 30, 1995. The total number of students for out-of-district special education placement is different from the ASSA report by 38 students due to transience during the year.

Based on data provided by the district, the average cost-per-pupil for out-of-district SE students is conservatively estimated at \$ 18,581. The district's overall cost-per-pupil (Pre-K to 12) is \$ 9,226 .

Efforts are being made at this time to provide as much in-district placement of SE students as is deemed feasible. SE students are not sent out-of-district unless the district is unable to provide an

appropriate level of education in a least restrictive environment. Yearly assessments are made to the special education population and its needs.

In 1995-96 the Rutherford School District maintained four self-contained SE classes, distributed among three of the district's elementary schools to provide instruction for 44 special education students. There are no tuition-paying special education students from other districts.

A comparison was made of the allowable classroom capacity per type of impairment with actual classroom capacity in the district.

Rutherford Board of Education
Self-contained Classrooms

Class. Type	School	Age Range	Aide	Number Students	Class Capacity	Avail. Space
NI	Pierrepont	11 - 13	Yes	11	11	0
NI	Sylvan	8 - 11	Yes	11	11	0
NI	Sylvan	6 - 9	Yes	11	11	0
NI	Union	11 - 14	Yes	11	11	0

As shown in the above table, the Rutherford district utilizes all available classroom capacity.

The district tries to place as many SE out-of-district students in public schools as is possible. As is shown in the chart above, tuition to private schools is commonly significantly higher.

The transience rate in this school system as a whole is not significantly high as compared to most other districts in the state. Some of those students who do move into the district are either classified or are found to have special needs which often lead to classification. Therefore, space permitting, it is prudent to maintain some room for growth in the special education classes where and when possible.

Space is presently a big problem, at least at the elementary level, thereby limiting the return of out-of-district special education students to in-district classes. The district also needs space to better

centralize resource rooms and thereby avoid transporting students from one school to another school for classes.

Recommendation:

When the space problem for this district is resolved, an estimated saving of \$280,650 could be achieved by the district from reduced transportation and tuition costs.

Return out-of-district SE students to in-district class:

Average cost for each out-of-district SE student	\$18,581
Less: Average cost for each in-district student	<u>9,226</u>
Total savings for each returned SE student	\$ 9,355

Suggested savings:

If 30 out of the 73 out-of-district SE students are returned	
30 students @ \$9,355	\$280,650

COMPUTER TECHNOLOGY

Planning / Coordination

The supervisor of the mathematics department is responsible for the school district's computer technology initiatives. He administers all functions of the computer technology department with assistance from a full time technician and a part time administrative assistant. His responsibilities range from student, teacher and staff training to developing the computer course curricula. He is also responsible for hardware and software selection and purchases, as well as maintenance of the computer network.

The supervisor has developed a five-year plan illustrating the proposed computer technology initiatives. The plan includes a Wide Area Network (WAN) to enable the six schools to communicate freely among each other. The plan also enables the users to take advantage of the latest technological advances being tested and developed at the high school.

Funding / Sponsorship

All computer technology initiatives are funded entirely through the school budget, which appropriated \$400,000 for each of the past five years. Likewise, the business office and

superintendent's office are funded entirely through the general fund. Notably, the average annual expenditures over the past three years, has been \$8,000.

The district should attempt to canvas firms to determine if there is any interest in sponsoring computer technology initiatives in the schools. Given the success of the program thus far, one could conclude that companies would be anxious to lend their name to a school that is educating students who will prove to be valuable assets in the workforce.

Recommendation

The school district should solicit for corporate sponsors to ensure that its computer technology programs will continue and grow. There are many success stories that can be told about the district and its students. Adequate funding is paramount to the continued success of the technology programs and the district must be proactive in securing funding outside the boundaries of the annual school budget. In doing so, it becomes a win-win situation for all stakeholders in the district as well as the municipality, in addition to the companies that will benefit from employing highly skilled computer specialists.

Hardware / Software Utilization

The schools are uniformly on an APPLE Macintosh platform. Software is utilized at each grade level and in many cases infused into the curriculum. As newer technology is introduced, the older equipment is disbursed to other sites within the district. There is virtually no waste regarding computer technology.

The initial APPLE 2E computers from 12 years ago, for example, are currently installed in many of the primary grade classrooms. This type of skilled and practical resource management by the computer coordinator, is why the district has come so far in such a short time, and at a relatively low cost. Computers can be found in most of the classrooms in the high school and a movement is underway to have every grade level in all six schools, adequately equipped.

The business office utilizes an IBM compatible platform for its hardware needs. Its accounts payable and payroll software is an off-the-shelf product known as WOS, developed by a midwestern company by the same name. The business office also utilizes Lotus and Microsoft Excel for its spreadsheet applications, and Microsoft Word and Word Perfect, for its word-processing.

Innovations / Global Usage

The high school curriculum has no less than 12 courses specifically related to computer technology, from programming to desktop publishing to work study programs. One testimony as to how successful the program has become is the fact that many of the students coach their peers and go so far as to instruct teachers and staff.

The Multimedia Design, the Music Technology and the Computer Independent Study (CIS) classes offered in the high school, are perfect examples of where a collaborative effort among

students, teachers and staff, has paid off for everyone. These classes are unique as well as motivating and challenging for the students as well as the teachers. They also utilize the full potential of the computer equipment. All together, the overall computer technology initiative has yielded many long-term benefits for the school district. For example, the district has rightfully earned the reputation of having one of the foremost computer technology programs in the state. Computers and specially designed software are widely used by the special education department, with most of the recommendations being initiated by the special education teachers.

In addition to a host of new technology introduced into the district over the past few years, the district's other success stories are illustrated by the projects initiated by the students. There are vast opportunities for students who are eager to pursue a career in the computer field. For example, there is one high school senior who works part time as a system engineer and another one who works for an Internet Provider.

The high school is presently utilizing students to train teachers on the use the Internet. This initiative has been well received and attended by as many as 60 teachers thus far. The intent of this initiative is to offer training to all of the 194 teachers in the district. The program is voluntary for both the instructors and the attendees. Teaching time is not infringed upon and the school district does not pay anyone to administer or attend the program. Class size is restricted to six attendees due to space limitations. Furthermore, this program has been offered to the office staff in the district and many of the secretaries are currently signed up for training.

The Rutherford School District is equipped with a modern, yet simple attendance system, which was developed eight years ago. This system allows for immediate access to a student's attendance and tardiness records. Thus, changes and transfers can be made on the spot. Likewise, all student records reside on a mini-computer at the high school and can be downloaded at any time to floppy diskettes. Hence, when a student transfers from one school to another, his/her records are immediately retrieved and moved to the new location. Teachers in each school complete an attendance roster for their attendance office staff, who in turn enters the information into the system. This saves an enormous amount of time and effort, specifically on the part of the attendance office staff.

For example, it now takes the attendance office staff person 15 to 30 minutes a day, to enter the absence codes into the automated attendance system. This is in sharp contrast to the 1.5 to 2.0 hours that was expended when attendance recording was done manually. Further, this system ensures that none of the student's records are misplaced or lost. Most importantly, this results in a smooth transition for the student.

The team estimated the current annual savings to be \$39,000 and they have had this for eight years.

There are additional savings in terms of preparing statistical reports as needed as well as preparing the year-end reports for the department of education. For example, in the past, each and every attendance record had to be reviewed to determine the type of information and its extent, that was needed to prepare a specific report. With the automated system, the database software computes

and compiles the data and formats the report. Thus, the likelihood of errors is significantly reduced if not totally eliminated, because of the various audits along the data entry path.

Hardware/Software Maintenance

The computer coordinator is a certified APPLE computer technician. This authorizes him to purchase replacement parts at cost, as well as to certify any maintenance that he performs on the computers. In doing so, the district does not incur the cost of an annual maintenance contract.

The business office does not utilize a maintenance contract since its hardware is currently under the manufacturer's warranty. Most of the hardware components in the business office and the Superintendent's office were replaced over the past two years. The business administrator will contract for hardware maintenance once the manufacturer's warranty expires. Additionally, the business office has a software maintenance contract with WOS which costs approximately \$500 annually.

The district saves an estimated **\$10,000 to \$20,000** annually by not having a conventional maintenance contract. This is based on the current rate for hardware maintenance, which is between \$75.00 and \$100.00 per hour. The computer coordinator has been doing this for the past ten years.

Furthermore, this arrangement gives the district the added benefit of having a resident technician available at all times. Moreover, it enables the coordinator's assistant to receive on-the-job training. There are further savings to the school district in terms of reduced time away from the job that the coordinator's assistant would need if he did not receive on-the-job training. He does however, receive some off-site training as needed.

There are other benefits to having highly skilled resident computer technicians, which cannot be measured in terms of hard dollar savings. For example, it could take up to three weeks for equipment to be repaired if it has to be sent out for repair, as compared to instant, on-site repairs.

Fixed Asset Inventory

There is a computer database that contains a current inventory of all hardware and software residing in the schools. Furthermore, all equipment is tagged. Likewise, all computer equipment and software is inventoried and all hardware components are tagged.

Recommendation

The only noticeable shortcoming in the entire computer technology program is the inability to win the total support of all the teachers. This is in no way a reflection on the program or the coordinator, it is simply resistance from a handful of people. Presently, there is a small number of teachers, between 10% and 15%, that will not accept and support the school district's commitment to computer technology.

The computer coordinator has done everything in his power to convince these teachers, about the value of the program to the district and especially to the students. However, there are still those who will not give their acceptance. For the program to be a total success and perpetuate itself, it needs total support from all potential users, and this is where management must step in to educate these people on the value of the program.

Ongoing and Planned Initiatives - External Interconnections

The school district, currently in its first year, is on target with its five year plan. The plan includes Internet access for every classroom in the high school this year. Presently, the high school library is equipped to access the Internet. Likewise, the plan includes Internet access for the municipality via communication lines to the board of education office. This will extend to certain municipal departments and offices as well as to the senior citizen center.

The overall long range plan includes the interconnection of all the schools via Wide Area Network (WAN). This will be accomplished through a project known as Net Day, which is scheduled for May 17th of this year. The purpose is to provide the wiring capacity so the high school can utilize any and all of three network communications, i.e., voice, data and video. The objective is to wire the other five schools in subsequent years. There is also a \$90,000 appropriation in the current year's budget for a teacher training lab which has been built and is in use.

The long range plan also includes the interconnection of each school library with the statewide system via the high school library. Currently, the high school library is the only one currently utilizing the statewide Bell / Buckles System.

The computer coordinator feels that a cooperative effort could be effective between the two entities. He is eager and ready to have the high school students create a Web Page for the municipality. Only recently the computer coordinator was asked to lend his opinion on computer technology issues for the business office. Moreover, the business administrator encourages innovation for the business office and is receptive to conferring with the computer coordinator on these and related issues.

Recommendation

The partnership between the school district and the municipality should be implemented to enhance computer technology for Rutherford Borough as a whole. The administrators should move swiftly with this plan. However, for this to be accomplished in a timely and cost effective manner, both entities will have to give full responsibility and authority to the computer coordinator. Clearly, he has demonstrated that he could spearhead all computer technology initiatives. This plan would require an interlocal agreement between the school district and municipality in order to support compensation for this service.

LOCAL GOVERNMENT BUDGET REVIEW

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